

Global Convertible Strategy



Market Overview

Global convertibles participated in a significant portion of the upside in global equities, as the BofA Merrill Lynch Global 300 Convertible Index (G300) returned 4.11% in the period. U.S. convertibles returned 3.77% and participated with gains in the underlying equities. European convertibles also performed well, returning 4.66%, while Japanese domestic convertibles returned 0.18%. Asia ex-Japan convertibles also generated moderate gains, returning 3.56%. Globally, investment grade convertibles gained 5.36% versus the 3.66% return in below-investment grade issues, as measured by the BofA Merrill Lynch Investment Grade Global Index and BofA Merrill Lynch below Investment Grade Global Index. New convertible issuance reached a total of \$60.6 billion globally through the third quarter, essentially even with the \$61.0 billion pace of a year ago, per BofA Merrill Lynch figures. The level marked healthy conditions in the overall market as issuance also outpaced redemptions.

Performance Review

The strategy performed well and participated in the global equity market's strong quarterly result (the MSCI World Index was up +1.79%).

» Financials. Security selection within the financials sector supported the quarterly return. The portfolio's holdings in the asset management & custody banks and diversified banks industries delivered strong relative results.

- » Information Technology. Security selection within the information technology sector also contributed to performance during the quarter, as holdings within the semiconductors and home entertainment software industries notably outperformed.
- » Consumer Discretionary. An overweight allocation and security selection within the consumer discretionary sector detracted from performance. Holdings within the automobile manufacturers, internet & direct marketing retail and homebuilding industries all lagged.
- » Health Care. Security selection within health care also held back the third quarter result. Specifically, holdings in health care equipment and life sciences & tools trailed.
- » Protective Puts. The portfolio utilized protective puts to help manage overall equity sensitivity. While low interest rates and volatility made such puts inexpensive, the equity market advance meant that puts declined in value.
- » Regions. The portfolio benefited from strong selection in Europe, whereas selection in the United States detracted from the result.

Positioning and Portfolio Changes

The largest allocation continues to be information technology where favorable cyclical and secular opportunities remain intact. Within the

FIGURE 1. CALAMOS GLOBAL CONVERTIBLE STRATEGY RETURNS

| | QTR ENDING 9/30/17 | 1-YEAR | 3-YEAR | 5-YEAR | 10-YEAR | SINCE INCEPTION (10/01) |
|--|-----------------------|--------|--------|--------|---------|----------------------------|
| Calamos Global Convertible Composite | | | | | | |
| Gross of Fees | 3.55% | 12.29% | 7.25% | 7.49% | 5.47% | 8.06% |
| Net of Fees | 3.20 | 10.77 | 5.72 | 6.10 | 4.46 | 7.00 |
| BofA Merrill Lynch Global 300 Convertible Index (G300) | 4.11 | 12.66 | 7.58 | 8.83 | 5.58 | 7.13 |
| MSCI World Index | 4.96 | 18.83 | 8.30 | 11.62 | 4.81 | 7.56 |

Source: Calamos Advisors LLC

Past performance is no guarantee of future results.

Data as of 9/30/17.

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FIGURE 2. REPRESENTATIVE PORTFOLIO PERFORMANCE VERSUS THE BOFA MERRILL LYNCH GLOBAL 300 CONVERTIBLE INDEX (G300)
THIRD QUARTER 2017

| | CONTRIBUTORS (BPS) | DETRACTORS (BPS) |
|------------------------|--------------------|------------------|
| Financials | 33 | |
| Information Technology | 25 | |
| Energy | 20 | |
| Utilities | 16 | |
| Consumer Staples | 12 | |
| Materials | 10 | |
| Real Estate | 9 | |
| Industrials | | -2 |
| Telecom Services | | -13 |
| Health Care | | -24 |
| Consumer Discretionary | | -57 |

Attribution represented in basis points and is based on gross of fee performance with dividends reinvested. Performance attribution excludes any government/sovereign bonds or options on broad market indices the portfolio may hold.

Past performance is no guarantee of future results.

Source: Calamos Advisors LLC. Data as of 9/30/17.

sector, semiconductors have been among the strongest performing areas of the market as robust market demand continued to drive quarterly results. Consumer discretionary is the second-largest allocation. Positive employment data, wage gains, the stock market and home valuation appreciation all contributed to a positive consumer wealth effect and consumer confidence, which should continue to support our overweight positioning.

The lowest allocations went to utilities, materials and telecom services. These are predominantly defensive sectors and the convertibles in these sectors are unattractive in terms of risk/reward structures.

Below, we discuss changes made in certain economic sectors during the quarter:

Financials. We increased the allocation to financials during the quarter, adding holdings in the diversified banks, consumer finance, and multi-line insurance industries.

Industrials. We reduced the allocation to industrials during the quarter by trimming positions in the electrical components and construction & engineering industries.

Health Care. The health care allocation was also reduced, as we lightened the stake in health care equipment.

Synthetic Convertibles. As credit spreads significantly narrowed, we elected to reduce the corporate bond portion of our synthetic convertibles in favor of U.S. Treasuries.

Outlook

We continue to have a favorable view on equity markets supported by a gradual but strengthening global economy, continued accommodative monetary policy, tame inflation expectations, strong corporate earnings and reduced regulatory environment in the U.S. While the lack of volatility in the markets continues to be one of the more surprising developments to us this year, we continue to believe that maintaining the appropriate portfolio risk/reward profile is prudent despite being a relative drag for our portfolio versus the overall convert market this quarter. As such, the balanced portion of the convert market remains the largest exposure in the portfolio and we are actively managing it to ensure it has the appropriate level of downside protection. In addition, we think any developments on U.S. tax reform could have an outsized positive effect on convertible market issuers as they tend to be smaller market cap and more domestically exposed than the broader market. We also anticipate there will be healthy new issuance into year-end given the strong equity market performance and a desire by issuers to raise capital for growth projects. We continue to view convertibles as a favorable asset class given their historical performance in rising rate environments and their ability to dampen volatility versus a pure-equity exposure.

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FIGURE 3. SECTOR ALLOCATIONS VERSUS THE BOFA MERRILL LYNCH GLOBAL 300 CONVERTIBLE INDEX (G300)

| SECTOR | REPRESENTATIVE PORTFOLIO % | BOFA ML G300 INDEX % | PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 6/30/17 (PCT. POINTS) | UNDER/OVERWEIGHT % |
|------------------------|----------------------------|----------------------|---|--------------------|
| Information Technology | 21.5 | 23.9 | -0.5 | -2.4 |
| Consumer Discretionary | 19.1 | 12.0 | 0.6 | 7.1 |
| Financials | 16.5 | 12.4 | 3.2 | 4.1 |
| Health Care | 11.7 | 12.7 | -1.6 | -1.0 |
| Industrials | 9.0 | 10.8 | -1.9 | -1.8 |
| Real Estate | 8.7 | 6.2 | 0.4 | 2.5 |
| Energy | 5.4 | 5.5 | 0.1 | -0.1 |
| Materials | 3.9 | 4.5 | 0.3 | -0.6 |
| Telecom Services | 3.7 | 4.5 | -0.1 | -0.8 |
| Utilities | 0.5 | 5.2 | -0.5 | -4.7 |
| Consumer Staples | 0.0 | 2.3 | 0.0 | -2.3 |

This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Sector weightings exclude cash or cash equivalents, any government/sovereign bonds or broad-based index hedging securities/options the portfolio may hold.
Source: Calamos Advisors LLC. Data as of 9/30/17.

FIGURE 4. LARGEST 10 COUNTRY WEIGHTS VERSUS BOFA MERRILL LYNCH GLOBAL 300 CONVERTIBLE INDEX (G300)

| COUNTRY | REPRESENTATIVE PORTFOLIO % | BOFA ML G300 INDEX % | PORTFOLIO SECTOR WEIGHTING CHANGE SINCE 6/30/17 (PCT. POINTS) | UNDER/OVERWEIGHT % |
|-------------------|----------------------------|----------------------|---|--------------------|
| United States | 56.8% | 57.0% | -0.8% | -0.2% |
| France | 9.2% | 6.9% | 0.0% | 2.3% |
| Japan | 7.7% | 9.0% | 2.6% | -1.3% |
| Germany | 7.3% | 3.0% | 2.1% | 4.3% |
| Netherlands | 5.3% | 3.5% | -0.5% | 1.8% |
| China | 2.1% | 1.9% | 0.4% | 0.2% |
| Philippines | 1.5% | 0.2% | -0.1% | 1.3% |
| South Africa | 1.3% | 1.1% | -0.1% | 0.2% |
| Hungary | 1.1% | 0.9% | -0.1% | 0.2% |
| Finland | 1.0% | 0.3% | 1.0% | 0.7% |
| Developed Markets | 93.6 | 93.4 | -0.1 | |
| Emerging Markets | 6.4 | 6.6 | 0.1 | |

Excludes cash weighting. Companies are classified geographically according to their country of domicile. This strategy is actively managed. Holdings, weightings and allocations are subject to change daily. Geographical distribution tables exclude any options on broad market indices the portfolio may hold.
Source: Calamos Advisors LLC. Data as of 9/30/17.

The representative portfolio information described in both charts above represents a representative account managed in the Global Convertible strategy. Other clients' portfolios may differ mainly due to individual restrictions and timing of purchases and sales. All portfolio positioning and sector information is for a representative portfolio. Please see last page for additional information.

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Past performance does not guarantee or indicate future results. Portfolios are managed according to their respective strategies which may differ significantly in terms of security holdings, industry weightings, and asset allocation from those of the benchmark(s). Portfolio performance, characteristics and volatility may differ from the benchmark(s) shown. There is no guarantee that the investment goals/objectives will be met. Indices are unmanaged and one cannot invest directly in an index.

The information portrayed is for the Calamos Global Convertible Composite. Representative holdings and portfolio characteristics are for the Representative Portfolio shown and are specific only to the portfolio shown at that point in time. Other portfolios will vary in composition, characteristics, and will experience different investment results. The representative portfolio shown has been selected by the advisor based on account characteristics that the advisor feels accurately represents the investment strategy as a whole.

The opinions referenced are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Information contained herein is for informational purposes only and should not be considered investment advice.

Investments in overseas markets pose special risks, including currency fluctuation and political risks, and the strategy is expected to be more volatile than that of a U.S. only strategy. These risks are generally intensified for investments in emerging markets.

The information provided in this report should not be considered a recommendation to purchase or sell any industry, sector or particular security. There is no assurance that any industry, sector or security discussed herein will remain in a client's account at the time of reading this report or that industry, sectors or securities sold have not been repurchased. The industries, sectors, or securities discussed herein do not represent a client's entire account and in the aggregate may represent only a small percentage of an account's holdings.

It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Performance returns presented reflect, unless otherwise noted, the Calamos Global Convertible Composite, which is an actively managed composite investing primarily in a globally diversified portfolio of convertible securities. The composite includes all fully discretionary fee-paying accounts, including those no longer with the Firm. The Composite inception date is October 1, 2001.

Country Return Statistics: Unless otherwise noted, country equity returns are based on the appropriate MSCI Index for the country listed. The BofA Merrill Lynch Global 300 Convertible Index (VG00) is a global convertible index composed of companies representative of the market structure of countries in North America, Europe and the Asia/Pacific region. The BofA Merrill Lynch Investment Grade Global 300 Convertibles Index comprises issues of investment-grade convertible bonds and preferreds in North America, Europe and the Asia/Pacific Region. The BofA Merrill Lynch Speculative Grade Global 300 Convertibles Index comprises speculative grade convertible bonds and preferreds in North America, Europe and the Asia/Pacific Region. The MSCI Europe Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Japan Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed markets in Japan. The MSCI World Index is a market capitalization weighted index composed of companies representative of the market structure of developed market countries in North America, Europe, and the Asia/Pacific Region.

Unmanaged index returns assume reinvestment of any and all distributions and, do not reflect fees, expenses or sales charges. Investors cannot invest directly in an index.

Fees include the investment advisory fee charge by Calamos Advisors LLC. Returns greater than 12 months are annualized. All returns are net of commission and other similar fees charged on securities transactions and include reinvestment of net realized gains and interest. Chart Data Sources: Calamos Advisors LLC. Average annual total return measures net investment income and capital gain or loss from portfolio investments as an annualized average assuming reinvestment of dividends and capital gains distributions.

Calamos Advisors LLC is a federally registered investment advisor. Form ADV Part 2A, which provides background information about the firm and its business practices, is available upon written request to:

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